

PHILIP MORRIS USA
RECORDS RETENTION PROGRAM
IMPLEMENTATION PLAN

This plan is designed to ensure the effective implementation and ongoing continuity of the approved Records Retention Program at Philip Morris USA.

In order to conduct our business efficiently, the Records Retention Program must become an integral and established component of the Company's standard operating procedures.

The key elements of the implementation plan are the following:

- I. Establish Uniform Records Retention Schedules and Practices.
- II. Design and Develop an Automated Records Management and Retention System.
- III. Train Personnel to Implement and Maintain the Records Retention Program.
- IV. Implement Records Retention Program in Records Centers.
- V. Inventory and Code Each Department's Records.
- VI. Establish Vital Records Protection.
- VII. Destroy Obsolete and Unnecessary Records.
- VIII. Transfer Records to Storage.
- IX. Report on Success of Implementation of Records Retention Program.
- X. Audit and Maintenance of Each Department's Implemented Records Retention Program.

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I. ESTABLISH UNIFORM RECORDS RETENTION
SCHEDULES AND PRACTICES

Records Management includes the creation, retention, protection, and timely and appropriate destruction of all records of the Company. A part of any Records Retention Program is determining how long records must be maintained for the ongoing operations of the business enterprise and to satisfy governmental, regulatory, financial, or management requirements. Records that are no longer required or have satisfied their required periods of retention must then be destroyed in an appropriate manner.

For the past eleven months, a team composed of representatives of each functional group, the Records Management Department, the Legal Department, and outside counsel have studied the records retention requirements of the Company. On their recommendations, specific retention periods applicable to the Company's records have been incorporated into specific retention schedules. [Insert from William L. Allinder and March Coleman on guidelines for retention of Smoking and Health litigation documents plus any other records that are on "HOLD" due to pending or threatened litigation, investigation, or the like.]

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All employees are responsible for ensuring that all records maintained in their department are properly identified, retained, and destroyed as provided in the retention schedules. "Records" means any documentary material, regardless of physical form, that is generated or received by the Company in connection with transacting its business and is retained for any period of time. For example, material containing "personal" information such as appointment calendars or diaries are Company records and are subject to this program. Departmental managers will be responsible for assuring that the policy is carried out.

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A total of 55 million records will be addressed during the implementation of the Records Retention Program. To effectively implement the Records Retention Program and manage such a high volume of records, it is essential that the Records Retention System Data Base be fully developed and operational prior to conducting the inventory. Without an operational automated system in place, control and accountability will be lost from the onset.

Information Services is also working on a procedure to assure that electronic records are handled in a manner consistent with the retention schedules. With the proliferation of word processors, PCs, networking of PCs, electronic mail, and the like, this area of records storage is vitally important.

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III. TRAIN PERSONNEL TO IMPLEMENT AND MAINTAIN
THE RECORDS RETENTION PROGRAM

To assure compliance and uniformity of the program, each functional group along with its departments will be instructed on how to implement and maintain the program. This instruction will cover the following points:

- o Procedures for inventorying and coding records.
- o Procedures for transferring, storing, and destroying records in accordance with the retention schedules.
- o Procedures for modifying retention schedules in the future (i.e., adding or deleting categories or altering retention periods).
- o Procedures for identifying and protecting all records that are either relevant to or potentially relevant to Smoking and Health litigation as well as any other existing or potential litigation involving Philip Morris.
- o Procedures for identifying and protecting vital records, as defined in Section VI below.

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Instruction on the above points will be conducted by a Joint Task Force composed of representatives from several functional groups. This Task Force will also develop appropriate forms and procedures for program implementation and maintenance. The following individuals have extensive experience and knowledge of the various facets of Records Management and should be considered for inclusion in the Task Force:

Chairman: Francis M. Watson, III

Director of Information Services

(Jerry R. Ward, Manager of Security & Control,
Information Services)

Members: Lewis M. Cummings, Supervisor of Records Management
Emmett Richardson, Engineering
Stuart Rikerson, PM Management Corporation
Murray Rosenberg, Technical Information Section
Leader, Research & Development
Leroy Williams, Finance

In addition to providing the necessary instruction to all functional groups and departments to implement the retention schedules, the Joint Task Force and the Legal Department will be responsible for yearly audits of each functional group and department to ensure continued adherence to the retention schedules and records management procedures (see Section X. below).

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IV. IMPLEMENT RECORDS RETENTION PROGRAM

IN RECORDS CENTERS

All Philip Morris USA records located in the four (4) Richmond records centers and in the Louisville and Cabarrus records centers shall be inventoried, classified, and destroyed or retained as governed by the records retention schedules and the guidelines for retention of Smoking and Health litigation records or other records relevant to pending or threatened litigation, investigation, or the like.

The implementation in the records centers will be conducted in the same manner as the departmental implementation outlined in the following section. The implementation in all records centers must be conducted prior to beginning the departmental implementation to assure adequate inactive records storage space and personnel to process the departmental implementation.

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V. INVENTORY AND CODE EACH DEPARTMENT'S RECORDS

The precise identification of all Philip Morris USA records, along with adherence to established classification and data entry procedures, is vital to assure uniformity.

The first phase of data collection is an inventory of all records located throughout Philip Morris USA. This inventory will facilitate the rapid retrieval of records with the computer program being developed by Information Services, the reclassification of records according to records retention schedule categories, the labeling of records with the uniform alphanumeric codes that will be established by the Joint Task Force for each category, and the transfer and destruction of records. The inventory will be administered and coordinated by the Joint Task Force.

Every employee will be responsible for inventorying the records located in their own office area. Staff members in each department will also be assigned by their line management to inventory departmental records which are located in central departmental files or other locations. Overall responsibility for the inventories rests with line management, beginning with Departmental Managers.

The inventory will be completed using forms developed by the Joint Task Force. The Joint Task Force will instruct each department in the proper inventory and classification techniques and will be available to answer questions and clarify procedures.

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Every category of business record created by or received by any current or former Philip Morris USA employee is to be included in the inventory. As a practical matter, this means that all files, both official and unofficial (so-called "personal" files) which are retained for any period (meaning, more than 30 days) should be listed on the inventory to assure proper destruction. Obviously, the necessary burden associated with this inventory can be substantially reduced by making a critical assessment of which records truly need to be retained for administrative, legal, or business reasons for more than 30 days.

Only the following records will be excluded from the inventory:

- o Publications created by companies other than Philip Morris, and which are distributed or sold on the open market. Examples:
 - College Course Catalogs
 - Computer Software Manuals
 - Corporate Annual Reports
 - Dictionaries/Thesaurus
 - Directories
 - Equipment Manuals
 - Magazines
 - Newsletters
 - Newspapers
 - Vendor Brochures
- o Blank Forms.
- o Blank Hard Disks, Diskettes, Laser Disks, Optical Disks, Magnetic Tapes, Audio Tapes, or Video Tapes.

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If there is doubt as to the status of any item, the Joint Task Force should be contacted for clarification.

RECORDS FORMATS OR MEDIA

Records exist in many formats or media. The following is a list of the types of formats or media which must be considered in determining the existence of records:

- Audio Recordings
- Computer Diskettes
- Computer Hard Disks
- Computer Memory (Dynamic)
- Computer PROM and EPROM
- Computer Tapes
- Microfiche
- Microfilm
- Motion Pictures
- Mylar
- Optical (Laser) Disks
- Paper
- Photographs & Negatives
- Slides
- Transparencies
- Vellum
- Video Cassettes
- Video Tapes

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WHERE RECORDS ARE LOCATED

The following list notes common locations of records:

Binders
Bookshelves
Boxes
Card Files
Closets
Commercial Records Centers
Computer Memory
Computer Tape Storage Cabinets/Racks/Vaults
Credenzas
Desk Drawers
Desk Tops
Diskette Storage Cases
Employee's Home
File Cabinets
Hanging Printout/Blueprint Racks
Inactive Records Centers
Microfiche/Microfilm Storage Cabinets/Files
Optical Disk Storage Cabinets
Safes
Tub Files
Warehouses

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A Record Title must be determined for each record and recorded on the inventory form. If a Record Title has been established prior to this inventory, the data must be physically inspected to assure the title properly reflects the informational content contained therein. During this process, it may become necessary to extract any information not related to the Record Title or to re-title the record. This process includes, but is not limited to, the creation of new file folder(s), diskettes, or editing other records media. Each record container (e.g., file folder, diskette, binder) must be labeled with the Record Title.

To assure uniformity, the Joint Task Force will assign an alphanumeric code to each record category/title listed on the Records Retention Schedules. These codes will be used exclusively for identifying all records and for determining all maintenance actions to be taken on any record. After the alphanumeric codes have been assigned to all Records Retention Schedules, no code or record category/title can be changed, deleted, or created except with the approval of the Joint Task Force. Written proposals justifying such actions may be submitted by departmental managers and must be supported by their component vice president. The proposals also will be submitted to the Philip Morris USA Legal Department to research the legal retention requirements and retention periods for the record categories/titles in question.

A code must be determined for each Record Title listed on the inventory form based on the Record Title and the individual records included in the Record Title.

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For each Record Title listed, the oldest year date and the most current year date will be recorded on the inventory form. In the event undated records are encountered, an attempt shall be made to determine the creation date and record it on the record. If a creation date cannot be determined, this must be indicated on the inventory form. The disposition of undated records will be determined by the Joint Task Force.

The volume and media for each Record Title shall be recorded on the inventory form using codes established by the Joint Task Force.

All data contained on the inventory forms will be entered into the Records Retention System Data Base by the appropriate records center staff.

Upon completion of the inventory, all record categories/titles listed on the Records Retention Schedules may not have been utilized. Any unassigned record categories/titles will be reviewed by the Joint Task Force, comparing them to the departmental inventory listings. If it is determined that any unassigned record categories/titles are inapplicable, a listing of these record categories/titles will be submitted to the Philip Morris USA Legal Department with the recommendation to delete them from the Records Retention Schedules and from the Records Retention System Data Base. If the inapplicability cannot be justified, re-categorization of individual Record Titles will be required.

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VI. ESTABLISH VITAL RECORDS PROTECTION

Vital Records are those records which would enable the Company to reconstruct its affairs and resume business in the event of a disaster. The Joint Task Force and the Philip Morris USA Legal Department will determine which record categories/titles on the Records Retention Schedules are Vital Records. Vital Records will be protected by one of the following special procedures:

- o Microfilming and storing the original microfilm in a fire-proof safe located in a Halon-protected area.
- o Microfilming and storing the original microfilm in an off-site disaster-protected area. A duplicate microfilm copy will be retained by the appropriate records center.
- o Duplicating and storing the original records in a fire-proof safe. The duplicate copies will be used as the reference copies.

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VII. DESTROY OBSOLETE AND UNNECESSARY RECORDS

After completion of the inventory, and on a regular basis thereafter, Destruction Authorization Forms will be issued by the appropriate records center to Department Managers as records become eligible for destruction in accordance with the Records Retention Schedules. This form will list the following information for every record title eligible for destruction:

- o Record Title
- o Record Category/Title
- o Retention Period
- o Destruction Year Date Span
- o Departmental/Inactive Storage Location
- o Volume and Media

The Destruction Authorization Form must be signed by the Department Manager and returned to the appropriate records center. The records center will forward the Destruction Authorization Form to the Philip Morris Legal Department for approval. Before authorizing the destruction of records, the Department Manager and the Legal Department should review the records scheduled for destruction, bearing in mind that any records relevant to pending litigation or government investigations may need to be retained beyond their scheduled destruction date.

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Upon approval of the Destruction Authorization Form, a list will be sent to each individual in the department who is in possession of or responsible for any records listed on the Destruction Authorization Form. This list will show only the record titles and corresponding destruction year date spans, volume and media for which the indicated individual is responsible. For each record title on the list, all records within the indicated date span, which are not on erasable media (e.g., magnetic tapes and disks, computer memory, optical disks), must be grouped together (e.g., in a file folder or binder) and labeled with the record title. The records must then be placed in a records storage box (which will be supplied by the appropriate records center). The destruction code, which will appear on the list, must be written on the front (either end which has the handle opening) of every box utilized. Records on erasable media must be deleted from the media in accordance with procedures which will be developed by the Information Services Department.

Upon completion of boxing the records and/or deleting the erasable records, the list must be returned to the appropriate records center, which will schedule the transfer of the boxes to the records center. Upon receipt of the boxes in the records center, the contents will be verified, shredded, and the Destruction Authorization Form will be signed by the records center employee who physically destroys the records to attest to the actual destruction. Upon completion of the actual destruction of records, the Records Retention System Data Base will be updated to indicate that the records are destroyed.

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VIII. TRANSFER RECORDS TO STORAGE

After completion of the inventory, and on a regular basis thereafter, Transfer Authorization Forms will be issued by the appropriate records center to Department Managers as records become due for transfer to storage in accordance with the Records Retention Schedules. This form will list the following information for every record title scheduled for transfer to inactive storage:

- o Record Title
- o Record Category/Title
- o Retention Period
- o Transfer Year Date Span
- o Departmental Location
- o Volume and Media

The Transfer Authorization Form must be signed by the Department Manager and returned to the appropriate records center. Upon approval of the Transfer Authorization Form, a list will be sent to each individual in the department who is in possession of or responsible for any records listed on the Transfer Authorization Form. This list will show only the record titles and corresponding transfer year date spans, volume and media for which the indicated individual is responsible. For each record title on the list, all records within the indicated date span must be grouped together (e.g., in a file folder, in a binder, on a diskette) and labeled with the record title. The records must then be placed in a records storage box (which will be supplied by the appropriate records center). The transfer code, which will appear on the list, must be written on the front (either end which has the handle opening) of every box utilized.

Upon completion of boxing the records, the list must be returned to the appropriate records center, which will schedule the transfer of the boxes to the records center. Upon receipt of the boxes in the records center, the contents will be verified and then stored as hard copy or converted to microfilm or other media based on retention periods, volume of records, storage space available, cost of media conversion, and Vital Records requirements. The storage location and method of storage will be determined by the records center. Upon completion of the transfer, the Records Retention System Data Base will be updated to indicate the inactive storage location assignments and the inactive storage formats.

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IX. REPORT ON SUCCESS OF IMPLEMENTATION
OF RECORDS RETENTION PROGRAM

Not later than 30 days after completion of each departmental implementation (See Attached Implementation Schedules), each Department Manager will issue to the Joint Task Force a report on the status of the implementation plan in that department, and if the plan is not complete, a detailed explanation for why implementation is not complete, a description of steps to be taken to assure completion and commitment on the timetable of these steps (copies of the report will also be sent to the appropriate records center manager, the vice president of that component, the Philip Morris USA Legal Department and the President of Philip Morris USA). The report will also include the following:

- o Volume of records inventoried.
- o Volume of records destroyed.
- o Volume of records transferred to inactive storage.
- o Volume of departmental file space made available as a result of the implementation.
- o Vital Records identified and the procedures for protecting them.

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X. AUDIT AND MAINTENANCE OF EACH DEPARTMENT'S
IMPLEMENTED RECORDS RETENTION PROGRAM

Upon completion of the initial implementation, the Joint Task Force will coordinate regular audits of all Philip Morris USA cost centers to assure compliance with the established Records Retention Program, and will report results to the President of Philip Morris USA and the Philip Morris USA Legal Department.

To assure audits are conducted both objectively and effectively, individual cost centers will not conduct their own audits. The Records Management Departments, under the direction of the Joint Task Force, shall conduct all program audits.

In addition to the aforementioned audit reports, the Joint Task Force shall report any discrepancies to the appropriate Department Manager and the component vice president. Included in this report will be any corrective action required and a schedule for completion. A follow-up audit will be conducted upon the completion of the required corrective action. Copies of the follow-up audit report will be forwarded to the President of Philip Morris USA and the Philip Morris USA Legal Department.

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The Joint Task Force and the Philip Morris USA Legal Department shall jointly share accountability to Executive Management for the maintenance of the Records Retention Program. The following functions will be performed on an ongoing basis by the Records Management Departments:

- o Conduct audits of all cost centers to assure compliance with the established Records Retention Program.
- o Generate Destruction Authorization and Transfer Authorization Forms and pick lists.
- o Receive, verify, and destroy records.
- o Receive, verify, and store all inactive records.
- o Determine storage media for inactive records storage.
- o Assist in the design and implementation of active records systems and filing procedures.
- o Assist in the continuous assessment of in-department records retention requirements.
- o Assist in the assessment and selection of filing equipment.
- o Assist in the classification and categorization of new record titles.
- o Maintain and assure the integrity of the Records Retention System Data Base.
- o Design, develop, and implement Vital Records protection procedures.

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- o Preliminary research of legal and regulatory records retention requirements.
- o Prepare, microfilm, process, verify, duplicate, and index records.
- o Process and service all records retrieval requests and assure that records are returned to the records centers.

The following functions will be the responsibility of each Philip Morris USA Department Manager:

- o Approve Destruction Authorization and Transfer Authorization Forms.
- o Assure the transfer and destruction of departmental records based on Destruction Authorization and Transfer Authorization Forms and pick lists.
- o Notify the Joint Task Force of any proposed changes to the departmental Records Retention Schedule.
- o Assure the maintenance of active departmental records systems.

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